

TESTIMONY BEFORE HOUSE SUBCOMMITTEE ON NATIONAL
SECURITY, EMERGING THREATS, AND INTERNATIONAL
RELATIONS
COMMITTEE ON GOVERNMENT REFORM

ASSISTANT SECRETARY BRADFORD R HIGGINS
CHIEF FINANCIAL OFFICER FOR THE DEPARTMENT OF STATE

Global War on Terrorism: Accuracy and Reliability of Cost Estimates

July 18, 2006

Chairman Shays, Congressman Kucinich and fellow members of the Committee, thank you for asking me to appear before you today to discuss the Department of State's budget process for funding the Global War on Terror (GWOT). In my confirmation hearing, I made a commitment to not only seek the funds sufficient to complete our mission but also to make sure these funds were spent for maximum effect, issues that are central to today's hearing.

In my role as Assistant Secretary and the CFO, I am responsible for administering the development of the Department's internal planning, budgeting, and accounting functions. As you are aware, the Department recently reorganized its administration of Foreign Assistance programs under the new Director of U.S. Foreign Assistance (DFA), Ambassador Randall Tobias. While I work closely with the Director of Foreign Assistance to coordinate budgetary matters for both the Foreign Assistance and the State

Operating accounts, Ambassador Tobias has authority over all Department of State and USAID foreign assistance funding and programs. I am pleased that joining me as a witness today to respond to questions focusing on foreign assistance is USAID's Assistant Administrator for the Asia and Near East bureau, Jim Kunder.

I am here today to address the Department's resources associated with the Global War On Terror in Iraq and Afghanistan.

In response to your specific questions, to date, the Department has been appropriated \$34.6 billion for foreign assistance activities and State Department operations in Iraq and Afghanistan, with \$31.1 billion of this funding having been provided in supplemental appropriations. Of this amount, \$26.5 billion is for Iraq and \$8.1 billion is for Afghanistan. Of the \$34.6 billion provided, \$30.5 billion or 88 percent was for Foreign Assistance activities. The remaining \$4.1 billion, or 12 percent, was appropriated for State and USAID Operations and for construction of embassy and other facilities in Iraq and Afghanistan.

Of the funding appropriated to date, over \$28 billion, greater than 80 percent, has been obligated. The Department separately tracks and regularly reports on the status of these supplemental funds such as through the quarterly Section 2207 report on the Iraq Relief and Reconstruction Fund (IRRF) as well as other periodic reports required by law.

In order to develop reliable and accurate budget estimates, the Department works very closely with State's field operations in both Iraq and Afghanistan to identify critical requirements and better manage the necessary, yet extraordinary expenses, that are crucial to supporting the Global War On Terror. Those costs that can be adequately projected and justified are included in the President's annual budget submission. However, because conditions are dynamic, it is important that both our budget approach and response remain flexible to provide additional resources outside the annual appropriations process as warranted by changing circumstances. As conditions change, the Department is continuing to work diligently to integrate our resource requirements for both Iraq and Afghanistan into the Department's annual budget submission.

Costs that could not be reasonably funded through the use of existing Department funds have been provided through supplemental appropriations. This supplemental funding has been critical to the Department in supporting our operations and activities. As we are all well aware, the operating environment in Iraq and Afghanistan is both constantly changing and hostile. These timely supplemental appropriations, which are made closer to when the funds are actually used, have allowed the Department to better project funding requirements for the extraordinary security and evolving assistance required to further our diplomatic efforts.

Thank you for the opportunity to address the committee and I look forward to addressing your specific questions.